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TAGS: [CH](#) [EFIN](#) [IR](#) [KN](#) [PHUM](#) [PREL](#) [SENV](#) [TW](#) [MCAP](#)  
SUBJECT: CORRECTED COPY: SHANGHAI SCHOLARS ON U.S.-CHINA RELATIONS,  
CLIMATE CHANGE, SED, HUMAN RIGHTS, TAIWAN, SIX-PARTY TALKS, IRAN

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CLASSIFIED BY: Beatrice Camp, Consul General, U.S. Consulate  
General, Shanghai, Department of State.  
REASON: 1.4 (b), (d)

[1](#)1. (C) Summary. Chinese officials and academics will closely watch the Secretary's imminent visit to Beijing for signs of the Obama Administration's strategy toward China, according to Shanghai-based scholars. Establishment of a personal relationship between Presidents Obama and Hu, an early summit meeting and an early Presidential visit to China are important to the bilateral relationship, scholars emphasized. One scholar pointed to the possibility of increased collaboration on climate change issues, even while cautioning that China's stage of economic development precludes a near-term PRC commitment to reduce emissions. The urgency of dealing with the global financial crisis and other economic issues argues for maintaining the Strategic Economic Dialogue and the Senior Dialogue as separate entities. Taiwan remains a sensitive issue, despite improving cross-Straits relations. While hinting at the likelihood of progress on Taiwan's "international space," the SIIS scholar said PRC officials nevertheless worry that concessions made now could be used by Taiwan pro-independence forces in the future. On human rights, harsh public criticism of China would be counterproductive, the scholars argued. China continues to support the Six-Party Talks and is interested in exchanging views, perhaps at a "Track Two" level, on dealing with North Korean "strategic surprises." China hopes engagement between Tehran and Washington will lead to progress toward solving the Iranian nuclear weapons issue, the SIIS scholar stated. End summary.

[1](#)2. (SBU) Consulate Poloffs brought Embassy Poloff to meet on February 12 with Shanghai Institutes for International Studies (SIIS) Vice President Chen Dongxiao for a requested brief meeting on SIIS's activities. Professor Chen eagerly presented a lengthy discourse on bilateral relations and related issues.

SIIS is a national-level foreign policy think tank that is often is tasked by the Central Government to perform analyses of international relations topics. Chen noted SIIS is currently or has recently worked on papers for the Ministries of Foreign Affairs, Commerce, and Environmental Protection, as well as for the National Development and Reform Commission and other agencies in Beijing. The more than 80 full-time SIIS scholars also sometimes float new policy ideas to Beijing. The current SIIS President is Yang Jiemian, brother of current Chinese Foreign Minister (and former Ambassador to the United States) Yang Jiechi. SIIS groups its research work in five broad categories: international strategy and big power relations; world economy; global governance and transnational issues; China's diplomacy; and Taiwan, Macau and Hong Kong affairs. In the near term, SIIS's highest priorities include work on the impact of and responses to the global financial crisis, including plans for two related conferences in April; following and contributing to preparations for the Secretary of State's February 20-22 visit; the impact of the global financial crisis on the Shanghai 2010 World Expo; and preparations for a spring conference on rising powers and climate change. Observations from other Shanghai scholars supplement Vice President Chen's views below. Professor Chen's long discourse on Chinese views on bilateral relations and other security issues detailed below may have been intended to influence as well as to inform.

#### Expectations about SecState Visit and Obama Administratio

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13. (C) Professor Chen said China has high - but realistic - expectations of the Obama Administration. China recognizes that the new U.S. administration came to office with bilateral relations in generally good shape, while also having to confront

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"legacy issues" of the previous administration, such as the global financial crisis and "hotspots" in places such as Iraq, Afghanistan and Iran. China therefore may not be the highest foreign policy priority of the Obama Administration, Chen speculated. China nevertheless is pleased that Secretary Clinton's first overseas travel includes China. (Even if Beijing is the final stop on that first foray, Chinese recall that in Peking Opera, often the character who is last to appear on stage holds the most important role, Chen said.) Strong bilateral relations under the Bush Administration may make new breakthroughs under the new U.S. administration difficult. Although PRC officials are aware that President Obama ran on a platform of "change," China hopes that great change will not apply to the bilateral relationship. Thus, Beijing is hopeful that Secretary Clinton's visit will contribute to a "smooth transition" on China relations, and provide an opportunity to play out the Obama Administration's China policy. Chinese officials are eager to learn which issues can be new "points of growth" and which issues might become new "controversies" in the bilateral relationship. (NOTE: Chen expressed concern about the possible future rise of trade protectionism and economic nationalism.) Beijing is also eager to learn about Obama Administration views on U.S. policies on sensitive issues such as Burma, Iran and the Middle East. Separately, Professor Ding Xinghao, Director of the Shanghai Institute for American Studies, told Poloff at a February 11 Consulate reception that U.S. policy toward China should be "fully coordinated" so as to instill confidence among PRC officials and America watchers in China, citing the recent controversy over U.S. comments on China's renminbi exchange rate as something China hopes can be avoided in the future.)

#### Climate Change a New Area of Increased Engagement?

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14. (C) SIIS's Prof. Chen raised climate change as a possible area of expanded bilateral engagement. China's fundamental policy on climate change nevertheless remains unchanged, Chen cautioned, noting that countries have common, but different responsibilities in addressing the climate change challenge. China would find it "exceedingly difficult" to make binding

commitments on emissions reductions, Chen argued, claiming that China could curb the growth rate of its carbon emissions but would be unable to reduce emissions for years to come - perhaps not before 2020. U.S. experts on China should recognize that China has reached a point of "fundamental economic restructuring," a process that will take at least 5-10 years. Shanghai has already reached that stage of change, earlier than most of the rest of the country, and therefore will likely have higher unemployment in the near term. China's goals are to accelerate the phase-out of high-emission, energy-intensive industries while simultaneously increasing employment to maintain social stability. (NOTE: Scholars at Fudan University's Center for American Studies likewise highlighted climate change as an area of possible beneficial bilateral collaboration during Poloffs' visit there on February 11.)

SED and Senior Dialogue: Better Separate than Combined?

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¶5. (C) Professor Chen said the Central Government is interested in the possibility of upgrading the level of engagement in bilateral strategic dialogues such as the Strategic Economic Dialogue on economic and financial issues and the Senior Dialogue on political and military issues (which the Chinese refer to as the "Strategic Dialogue"). Chen said it would be preferable to keep these two dialogues separate, noting that Chinese officials are concerned about which topics would be foremost if the two dialogues were combined. The United States and China are the two largest economies and both should deal with rising economic nationalism and reform of the international economic system in conjunction with other countries. China plans to closely analyze the U.S. economic stimulus bill for Buy America or other provisions that may impact bilateral trade, bilateral relations or the multilateral trade framework.

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Early Presidential Summit, Visit, and Personal Relationship All Important

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¶6. (C) Chinese officials and scholars believe an early summit between residents Obama and Hu, and an early visit to China by President Obama, are extremely important to propelling the bilateral relationship in a positive direction. The G-20 meeting in London in early April, a later international conference in Europe, and the autumn APEC meeting in Singapore all provide opportunities for Presidential meetings. Chinese officials, he continued, believe that a summit meeting and visit to China at the earliest possible dates are most important, including for showing the world that the two countries are dealing with the fallout from the global financial crisis. Such events would also quiet those voices in Chinese foreign policy circles, Chen said, who claim that East Asia is not at the top of the Obama Administration's foreign policy priorities, notwithstanding the Secretary of State making her first foreign travel in that role to East Asia. Separately, Shanghai Institute for American Studies Director Ding on February 11 stressed to Poloff that it is "absolutely essential" for President Obama and Secretary Clinton to build "personal relationships" with Chinese leaders. Citing one example, Ding said China was "restrained" in its response to President Bush's meeting with the Dalai Lama in late 2007 in large part because of the former President's "good personal relationship" with Hu Jintao. By contrast, Ding asserted, China reacted "harshly" to French President Sarkozy's meeting with the Dalai Lama in late 2008 because Sarkozy has frequently angered Chinese leaders and not established a relationship with them. Presidents Clinton and Jiang Zemin also established close personal ties, Ding asserted, which contributed to the bilateral relationship at the time.)

Taiwan Remains Sensitive Issue

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¶7. (C) Arms Sales: Taiwan remains an "important and sensitive

issue" in bilateral relations with the United States, despite the relaxation in cross-Straits tensions following the May 2008 inauguration of Taiwan President Ma Ying-jeou, Professor Chen said. Even though Taiwan is probably no longer the most important bilateral issue, it must be raised in a prominent way, partially for domestic Chinese considerations. China does not expect to see change in both sides' "one China" policies, as both Beijing and Washington have agreed that there should be "no unilateral challenge to the status quo." For China, that outcome is "not the best," but it is "acceptable," Chen said. Chinese officials will express to the Secretary Beijing's concern over possible U.S. arms sales to Taiwan, particularly those items not sold by the Bush Administration, such as F-16s and submarines. Even if President Hu does not discuss the issue in a detailed fashion, Chen argued that he will be compelled to raise arms sales in some way. The sale of such arms to Taiwan would be "highly offensive" to China. Although U.S. officials consider the cross-Straits military balance when responding to Taiwan requests for arms, Chinese officials base PLA deployments on their assessment of the risk of Taiwan's "secession," Chen asserted. In his December 31, 2008 speech (refs B and C), President Hu Jintao mentioned the need to establish cross-Straits military confidence-building measures (CBMs), which is a positive step that demonstrates PRC confidence in managing the cross-Straits situation. Nevertheless, some Chinese observers, Chen claimed, doubt whether the United States really wants to see an improvement in cross-Straits relations, fearing that U.S. economic interests may "compel" Washington to sell arms to Taiwan.

18. (C) International space: Improvement in the cross-Straits relationship since May 2008 has led to new "flexibility" in the mainland's policy on Taiwan, as elaborated in Hu Jintao's "six points" in his speech of December 31, 2008, Chen stated. For example, China is now giving greater attention to "reasonable

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requests" by Taiwan for more "international space." The key, Chen said, is finding the "most reasonable" and "least risky" way of expanding Taiwan's international space. Some in China fear that PRC concessions on this issue could be used in the future by Taiwan "secessionists" as a facade for real independence. As long as the "one China" principle is preserved, the international space issue can be addressed in a prudent way. Nevertheless, Taiwan's domestic political situation remains volatile. Thus, Beijing wants to present Taiwan President Ma Ying-jeou with a "deliverable" designed to shore up his domestic Taiwan standing, while avoiding any steps that could be "reversible" and "abused" someday by those who advocate independence for Taiwan.

Human Rights: Tone Paves Way for Substantive Engagement

19. (C) Confrontation over Chinese human rights practices is counterproductive, Professor Chen said. China nevertheless welcomes bilateral dialogue on human rights. "Reasonable dialogue" on human rights could focus on "shared interests" in poverty alleviation, rule of law, good governance and transparency. By contrast, exchanges of "bitter words" lead nowhere. Chen added that, given the "critical time" China faces socially, economically and politically, "harsh criticism" from foreign countries -- on virtually any issue -- would likely generate a strong response from the Chinese Government and Chinese people. (NOTE: Chen's comments were echoed by Fudan scholars at a meeting with PolOff the day before.) Chen argued for a "more productive" dialogue based on a number of "key assumptions." For China to be a "responsible stakeholder," the United States must recognize that China is "unique": the PRC remains a one-party authoritarian system, even if Chinese officials deny that. That one party has nevertheless transformed China in a "productive" way. The United States must "live with" this fact, Chen argued, saying that what is needed is a dialogue on how the United States can assist the reform China's system from a "good governance" standpoint. (NOTE: SIAS Director Ding Xinghao separately commented on February 11 that

U.S. officials should not be "overly harsh" in public with the Chinese leadership, whether on human rights, trade frictions or the exchange rate; harsh public rhetoric on any sector will only undercut necessary close cooperation on a host of issues, including on responding to the global financial crisis.) China hopes that the United States will be more mindful of our very different histories, Chen said. In the last thirty years, China has had to struggle simultaneously with the problems of nation building, political participation and more just distribution of economic benefits, issues the United States had "nearly 200 years" to solve. China's situation is thus more acute, given the compressed time frame in which it has tackled these problems.

A "patient, gradual way" is the "only way" forward for China, Chen argued, declaring that "shock therapy" would be "much too costly."

#### Six-Party Talks

¶10. (C) Professor Chen described the Six-Party Talks as the only effective way to handle the Korean Peninsula denuclearization issue. North Korea's recent behavior demonstrates it has been trying to "break the impasse" and "reach out bilaterally" to the United States instead of sticking to the multilateral Six-Party Talks process. Beijing does not oppose bilateral interaction between North Korea and the United States, Chen stated, but past history shows that in the absence of the Six-Party Talks framework, bilateral talks will lead nowhere. China recognizes that it has an important role in the Korean Peninsula denuclearization issue. Chen expressed hope that China and the United States could engage in "detailed discussions" on possible "strategic surprises" from North Korea, perhaps at the "Track Two" level. Chen commented that Kim Jong-Il's status could perhaps be one subject to be discussed as part of this dialogue on "strategic surprises."

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Iran

¶11. (C) Chinese policy toward Iran remains unchanged, Professor Chen said. China wants to maintain an effective nuclear nonproliferation regime, so China "unambiguously opposes" Iran's nuclear weapons program. Nevertheless, China believes all international players should recognize Iran's sovereign right, like other nations, to have a "civilian nuclear power program." China also is concerned that the Iranian nuclear issue is "complicated" by the state of Washington-Tehran relations. In fact, the Washington-Tehran relationship is more important than the nuclear issue itself, Chen averred. China hopes that the Obama Administration's "new approach" to Tehran can help to resolve the nuclear issue. China will continue to play a "constructive role" on the Iranian nuclear issue, Chen said, perhaps even becoming more active than in the past, but China will not replace the central roles played by the European Union or Russia.

¶12. (U) This report was cleared with Embassy Beijing.  
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